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au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Stronger expansion in business activity in January

Key findings

Activity growth sharpest since last September

Fastest rise in outstanding business for seven months

Business confidence highest since last May

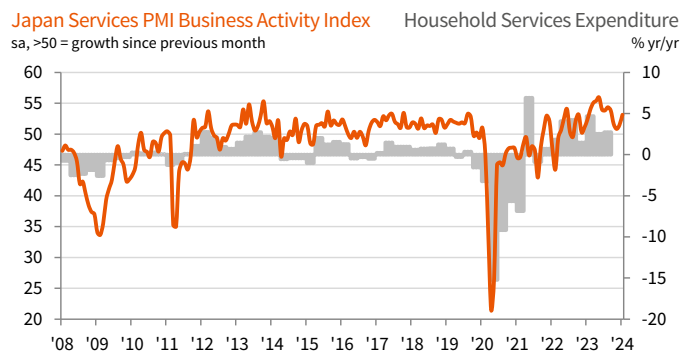
The Japanese service sector economy recorded a solid expansion in business activity at the start of 2024. Moreover, the rate of growth strengthened to the highest since last September amid a steeper rise in new business inflows, while international demand rose for the first time in five months. January data also indicated that higher activity levels are likely to be sustained over the coming months, as service providers noted the strongest accumulation of outstanding business for seven months. As such, businesses displayed a stronger degree of positive sentiment regarding the outlook for the year ahead, with optimism at the most marked since last May.

The au Jibun Bank Japan Services PMI® is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

The headline figure is the Services Business Activity Index, which tracks changes in the volume of business activity compared with one month previously. A reading above 50 indicates an overall increase compared to the previous month, and below 50 an overall decrease.

The headline au Jibun Bank Japan Services Business Activity Index rose from 51.5 in December to 53.1 in January, to indicate a solid expansion in services activity. Anecdotal evidence suggested that an increase in customer demand was sustained, while others commented that the weaker yen had also helped boost activity.

Along with higher activity, these factors helped drive a further increase in new business received, extending the current



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence. Data were collected 11-26 January 2024.

sequence of growth to 17 months. Moreover, the expansion extended to international markets as growth in foreign demand for Japanese services was registered for the first time in five months amid improvements in the tourism sector, notably air travel.

Service sector firms signalled that outstanding business rose for the third consecutive month in the latest survey period. The rate of accumulation was moderate and the strongest seen since last June, with firms often citing additional pressure on capacity amid continued growth in new orders. Moreover, employment levels also increased during January as firms looked to take on additional staff to meet capacity requirements.

On the prices front, Japanese services firms continued to signal marked increases in operating expenses during January. The latest round of input price inflation picked up slightly from December to reach a three-month high. Rising cost burdens were commonly linked to rising fuel and labour prices. Concurrently, prices charged for Japanese services rose at a stronger rate in January that was the sharpest seen since last August.

The 12-month outlook for business activity remained strongly optimistic in January, with the overall degree of optimism rising to the highest seen since last May. Positive sentiment was underpinned by hopes that the current recovery would be sustained by business expansion plans and inbound tourism.

au Jibun Bank Japan Composite PMI®

Renewed increase in private sector output

The au Jibun Bank Japan Composite PMI Output Index* signalled an expansion in the Japanese private sector economy for the first time in three months. At 51.5 in January, the index was up from 50.0 in December to indicate the strongest increase since last September.

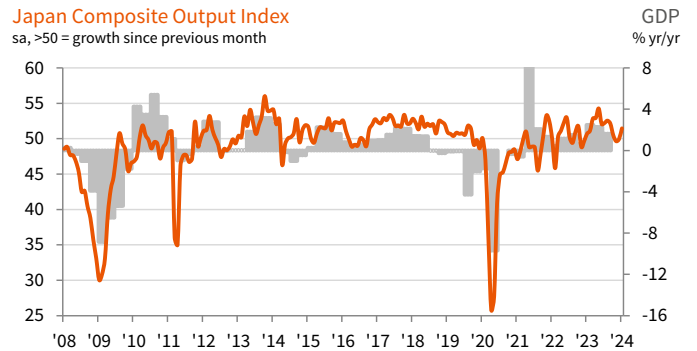
Growth was led by the fastest expansion in services business activity in four months, while the reduction in manufacturing output eased to a three-month low.

There was a renewed, albeit fractional rise in new order inflows at Japanese private sector firms that was the first since last September and was led by the steepest rise at service providers for four months. This contributed to a broad stabilisation in backlogs of work, ending a sequence of six successive declines. The upward trajectory of capacity pressures contributed to a further rise in employment levels, though the rate of job creation was the softest in the current four-month sequence.

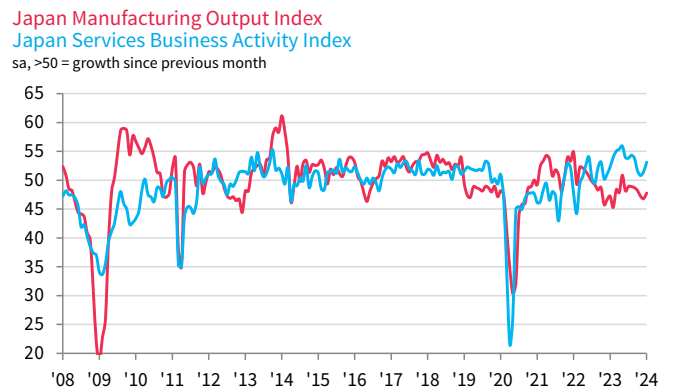
The rate of input cost inflation was unchanged from December, signalling a sustained and strong rise in operating expenses at the start of 2024. As a result, output prices were raised at a faster rate to protect margins, with the rate of increase the most marked since last August.

Companies remained optimistic that output would increase over the coming year, with the degree of positive sentiment strengthening to the highest since last June.

*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.



Sources: au Jibun Bank, S&P Global PMI.

Comment

Commenting on the latest survey results, Usamah Bhatti, Economist at S&P Global Market Intelligence, said:

"The Japanese service sector signalled expansion for the seventeenth consecutive month in January. The latest PMI data painted a stronger picture for growth across the various segments. Both business activity and new orders rose at faster rates, while exports rose increased for the first time in five months."

"Capacity pressures were also heightened in January as backlogs of work rose at the strongest rate since last June, while firms also recorded a steeper rate of job creation than that seen in December. Moreover, confidence regarding the year-ahead outlook for activity rose to an eight-month high and was robust

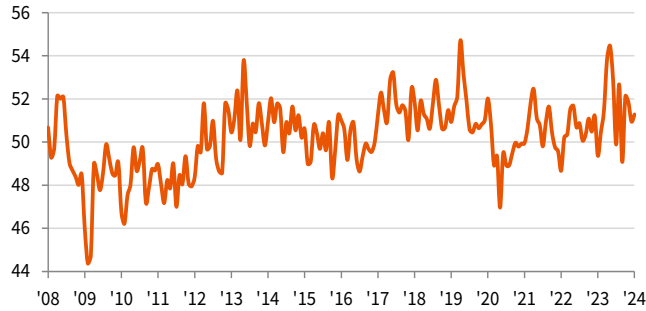
overall.

"Stronger services activity growth coupled with a softer fall in manufacturing contributed to an increase in overall private sector activity for the first time since last October. The expansion was modest and the steepest in four months."

"Private sector firms noted optimism regarding future activity, as the level of outstanding business stabilised after six successive monthly declines, showing signs of increasing capacity pressures in the Japanese private sector economy. Moreover, the overall degree of positive sentiment regarding the 12-month outlook for activity strengthened to the highest since last June."

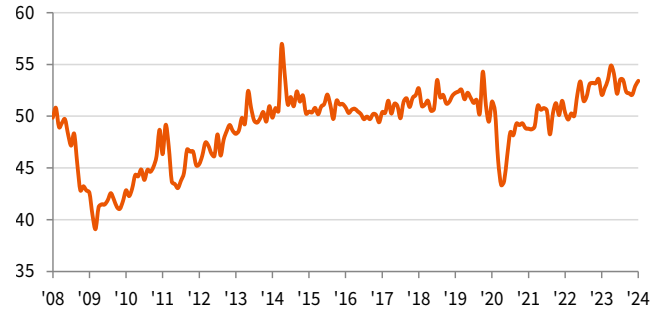
Japan Services Employment Index

sa, >50 = growth since previous month



Japan Services Prices Charged Index

sa, >50 = inflation since previous month



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Methodology

The au Jibun Bank Japan Services PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

Data were collected 11-26 January 2024.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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The au Jibun Bank Japan PMI is sponsored by au Jibun Bank Corporation

The au Jibun Bank is an internet retail bank established in 2008 by a joint investment of KDDI – a major telecommunication service provider – and MUFG Bank – Japan's largest bank –. As a "smartphone-centric-bank", au Jibun Bank focuses on providing high-quality financial services via smartphones.

The au Jibun Bank provides unique services such as "Smartphone ATM", a service allowing to deposit and withdraw money from teller machine without cash card by just scanning a QR code shown on the smartphone app, and "AI Foreign Currency Forecast", a foreign currency trading support tool that predict the rise of foreign exchange rate based on past trend deep learned by an AI (artificial intelligence).

As a member of the "au Financial Group", au Jibun Bank aims to play a major role in providing comprehensive smartphone-centric banking services in line with the "Smart Money Concept" and enhance customer experience.

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